No. 17-1594

IN THE

Supreme Court of the United States

RETURN MAIL, INC.,

Petitioner,

v.

UNITED STATES POSTAL SERVICE
and UNITED STATES,

Respondents.

ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

BRIEF OF 15 LAW PROFESSORS AS *AMICI CURIAE* IN SUPPORT OF PETITIONER

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QUESTION PRESENTED

Whether the United States Postal Service, which is immune from liability for patent infringement and has exercised the power of eminent domain to appropriate a patent license, may avoid its duty to pay just compensation by exercising the power of an accused infringer to initiate a patent review proceeding before the Patent Trial and Appeal Board.

TABLE OF CONTENTS

Page

QUESTION PRESENTED i

TABLE OF CONTENTS ii

TABLE OF CITED AUTHORITIES iv

INTEREST OF *AMICI CURIAE* 1

SUMMARY OF ARGUMENT 1

ARGUMENT 4

I. The U.S. Postal Service Cannot Exercise All Sovereign Power in All Venues 4

A. Congress Delegates Sovereign Powers 4

B. Four Distinct Offices 6

1. Patent Owner 6

2. Accused Infringer 7

3. Patent Office 8

4. Agency With Eminent Doman Power 9

II. Just Compensation, Not Infringement Liability 9

Table of Contents

Page

A. The Postal Service Cannot Be Liable for Infringement 9

B. The Postal Service Owes Just Compensation 15

CONCLUSION 17

APPENDIX 1a

TABLE OF CITED AUTHORITIES

Page

CASES

Bloomer v. McQuewan,
55 U.S. 539 (1852) 7

Continental Paper Bag Co. v. Eastern Paper Bag Co.,
210 U.S. 405 (1908) 14

Crozier v. Fried. Krupp Aktiengesellschaft,
224 U.S. 290 (1912) 16

Decca Ltd. v. United States,
640 F.2d 1146 (Ct. Cl. 1980) 13

Florida Prepaid Postsecondary Education Expense Board v. College Savings Bank,
527 U.S. 627 (1999) 5, 12

Henry Ford & Son, Inc. v. Little Falls Fibre Co.,
280 U.S. 369 (1930) 5

Hogg v. Emerson,
52 U.S. (11 How.) 587 (1850) 10

Horne v. Department of Agriculture,
135 S. Ct. 2419 (2015) 16

James v. Campbell,
104 U.S. 356 (1881) 15, 16

Cited Authorities

Page

Kohl v. United States,
91 U.S. 367 (1875) 15

Madey v. Duke University,
307 F.3d 1351 (Fed. Cir. 2002) 11

McClurg v. Kingsland,
42 U.S. 202 (1843) 7

McKeever v. United States,
14 Ct. Cl. 396 (1878) 15

Mowry v. Whitney,
81 U.S. 434 (1871) 4, 8

Oil States Energy Services LLC v. Greene's Energy Group, LLC,
138 S. Ct. 1365 (2018) 5

Parkhurst v. Kinsman,
18 F. Cas. 1207 (C.C.D. Mass. 1847) 10

Pinney v. Borough of Winsted,
66 A. 337 (Conn. 1907) 13

Providence Fall River & Newport Steamboat Co. v. City of Fall River,
67 N.E. 647 (Mass. 1903) 12

Sawin v. Guild,
21 F. Cas. 554 (C.C.D. Mass. 1813) (No. 12,391) 11

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Page

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167 U.S. 224 (1897) 4, 14

United States v. American Bell Telephone Co.,
32 F. 591 (C.C.D. Mass. 1887) 4

United States v. Palmer,
128 U.S. 262 (1888) 10

Utah Power & Light Co. v. United States,
243 U.S. 389 (1917) 13

Whittemore v. Cutter,
29 F. Cas. 1120 (C.C.D. Mass. 1813) 11

CONSTITUTIONAL PROVISIONS

U.S. Const., Art. I, § 8, cl. 8 4

U.S. STATUTES

28 U.S.C. § 1498 ..... 13, 14, 15, 16

35 U.S.C. § 1 8

35 U.S.C. § 2 8

35 U.S.C. § 102(a) 7

35 U.S.C. § 271 ..... 11, 12, 14, 15

Page

35 U.S.C. § 271(a) 13

35 U.S.C. § 273(a)(2) 11

35 U.S.C. § 303(a) 8

Sup. Ct. R. 37.2(a) 1

Sup. Ct. R. 37.6 1

Leahy-Smith America Invents Act of 2011 ("AIA"), Pub. L. No. 112-29, 125 Stat. 284 2

AIA § 18 ..... 8, 12, 14, 15

AIA § 18(a)(1)(B) 8

AIA § 18(a)(1)(D) 8

AIA § 18(a)(1)(E) 8

OTHER SOURCES

13 *Powell on Real Property* (2005) 5

3 William Blackstone, *Commentaries on the Laws of England* (Oxford 1765-1769) 11

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Dmitry Karshtedt, *Causal Responsibility and Patent Infringement*, 70 Vand. L. Rev. 565 (2017) 10

Adam J. MacLeod, *Of Brutal Murder and Transcendental Sovereignty: The Meaning of Vested Private Rights*, 41 Harv. J.L. & Pub. Pol'y 253 (2017) 7

Adam J. MacLeod, *Patent Infringement as Trespass*, 69 Alabama L. Rev. 723 (2018) ...10, 11, 12

Robert P. Merges, *A Few Kind Words for Absolute Infringement Liability in Patent Law*, 31 Berkeley Tech. L.J. 1 (2015).....11

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Christopher M. Newman, *Vested Use-Privileges in Property and Copyright*, 30 Harv. J.L. & Tech. 75 (2016) 7

Christopher M. Newman, *Patent Infringement as Nuisance*, 59 Cath. U. L. Rev. 61 (2009) 9, 12

Philip Nichols, *The Law of Eminent Domain* (1917) 5, 12

Lynda J. Oswald, *The "Strict Liability" of Direct Patent Infringement*, 19 Vand. J. Ent. & Tech. L. 993 (2017) 10

William B. Stoebuck, *A General Theory of Eminent Domain*, 47 Wash. L. Rev. 553 (1972) 5

Saurabh Vishnubhakat, *An Intentional Tort Theory of Patents*, 68 Fla. L. Rev. 571 (2016). . . . 9-10

INTEREST OF *AMICI CURIAE*[1]

Amici are law professors who teach and write on patent law, property law, and constitutional law. They are interested in preserving inherent limitations on sovereign powers, as the Framers intended, in order to make it harder for those powers to be abused to jeopardize property rights. They have no stake in the parties or in the outcome of this case. The names and affiliations of the *amici* members are set forth in the Appendix.

SUMMARY OF ARGUMENT

The United States Postal Service ("Postal Service") wants to be a sovereign power. It also wants not to be a sovereign power. It exercises the right of sovereignty to take patent rights by the power of eminent domain. But it wants to stray beyond the inherent limitations on sovereign power so that it can contest the validity of patent rights in multiple venues and avoid the duty to pay just compensation for a license that it appropriates.

At the same time, the Postal Service asserts the private rights of an accused infringer to initiate a covered business method ("CBM") proceeding though it is immune from the duties and liabilities of an infringer. In other

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1. All parties have consented to the filing of this brief in letters on file with the Clerk of Court, and the parties were notified of *amici curiae*'s intention to file this brief at least 10 days prior to the filing of this brief. *See* Sup. Ct. R. 37.2(a). No counsel for a party has authored this brief in whole or in part, and no person other than amici curiae, their counsel, and the Center for the Protection of Intellectual Property has made a monetary contribution to the preparation or submission of this brief. *See* Sup. Ct. R. 37.6.

words, the Postal Service is here trying to have it both ways, twice. It wants the powers of sovereignty without the disadvantages, and the rights of a private party without the exposure to liability.

The United States Court of Appeals for the Federal Circuit erroneously ruled that the Postal Service can exercise both the sovereign power to initiate an administrative patent review, which is entrusted to the Patent Office, and the sovereign power to appropriate patent rights by eminent domain, which is delegated to agencies other than the Patent Office. Congress separated those powers and delegated them to different agencies for important constitutional and jurisprudential reasons. Furthermore, the Federal Circuit ruled that the Postal Service can be both immune from liability for infringement and vested with the powers of an accused infringer. It did this by misstating what a "person" is within the meaning of United State law and by reading unlawfulness out the definition of "infringement," as the Petitioner has explained in its Petition.

Though the particular question of statutory interpretation here involves a transitional provision of the Leahy-Smith America Invents Act of 2011 ("AIA"), Pub. L. No. 112-29, 125 Stat. 284, the Federal Circuit's ruling implicates structural and jurisprudential limitations on the sovereignty of the United States government. Those limitations, which the Postal Service exceeded and which the Federal Circuit ignored, transect not only the Patent Act but also all provisions of federal law which delegate to administrative agencies the powers to determine public rights and to appropriate property by eminent domain.

Structurally, Congress in the Patent Act and the AIA preserved and established four distinct offices within CBM proceedings before the Patent Trial and Appeal Board ("Board")—(1) accused infringer, (2) patentee, (3) the Patent Office, and (4) an agency which enjoys sovereign immunity and the power of eminent domain. It declared and incorporated the traditional rights and duties of accused infringers and patent owners to initiate and answer to proceedings concerning patent validity, while in the AIA it moved some of those proceedings from Article III courts to administrative proceedings before the Board. Congress extended to those proceedings the Patent Office's power to initiate the determination of patent validity. All the while, it preserved the power of agencies other than the Patent Office to appropriate patent rights by eminent domain.

Because different rights and duties are at stake in each of those four offices, and because the combination of separate powers could jeopardize the due process rights of patent owners and accused infringers, Congress did well to keep them separate. The powers of private parties and the federal government to initiate proceedings that implicate patent rights have important due process implications. The ruling below makes a hash of the procedural and institutional structure that Congress carefully designed.

In jurisprudential terms, the Postal Service claims the powers and immunities of the legislative sovereign, who possesses the inherent power of eminent domain and is immune from liability for infringement. At the same time, it claims the powers of an accused infringer and so disavows the legal disadvantages of the sovereign. It cannot have both.

In fact, the Postal Service cannot infringe and cannot be charged with infringement. The sovereign who exercises the power of eminent domain and pays just compensation has acted lawfully, not unlawfully, and therefore has not trespassed against the patent. And the Postal Service must pay compensation when it appropriates a license to practice a patented invention. Vested patents are property for Fifth Amendment purposes and a government must pay for licenses taken from them just as it pays for real and personal property that it appropriates.

ARGUMENT

I. The U.S. Postal Service Cannot Exercise All Sovereign Power in All Venues

A. Congress Delegates Sovereign Powers

Congress delegates and determines the power to initiate a patent review. In the absence of a legal wrong, no government agency has an inherent power to initiate proceedings to contest or cancel a vested patent. *United States v. Am. Bell Tel. Co.*, 167 U.S. 224, 266–70 (1897). That power must be conferred by Congress. *United States v. Am. Bell Tel. Co.*, 32 F. 591, 601–02 (C.C.D. Mass. 1887). Though executive officials in England had prerogative power to challenge patent validity in Chancery by writ of *scire facias*, *Mowry v. Whitney*, 81 U.S. 434, 440 (1871), our Constitution confers the power over patents to Congress, U.S. Const., Art. I, § 8, cl. 8.

Congress also delegates and determines the power to appropriate a patent license. The power of eminent domain is an inherently legislative power. Philip Nichols,

The Law of Eminent Domain 25–26, 63–65 (1917); 13 *Powell on Real Property* §79F.01 (2005); William B. Stoebuck, *A General Theory of Eminent Domain*, 47 Wash. L. Rev. 553, 564–66 (1972). Agencies and agents to whom Congress delegates the power can exercise it only on the terms Congress determines and subject to the constitutional obligation to pay just compensation for any licenses appropriated. *Henry Ford & Son, Inc. v. Little Falls Fibre Co.*, 280 U.S. 369, 378-79 (1930).

Congress also reviews the process due to private right holders who are interested in patents, within the boundaries required by the Fifth Amendment's Due Process and Takings Clauses. *Fla. Prepaid Postsecondary Educ. Expense Bd. v. College Sav. Bank*, 527 U.S. 627, 642 (1999). As this Court made clear in *Oil States Energy Services LLC v. Greene's Energy Group, LLC*, 138 S. Ct. 1365, 1379 (2018), the process due to a patentee whose patent is alleged to be invalid is that provided in the Patent Act, as amended by the AIA. The procedures Congress established and the powers it conferred in those acts reflect a careful choice to separate the sovereign power to determine patent rights from the sovereign power to appropriate patent rights, and to separate the powers of sovereignty from the powers of private right holders, all to stay within the requirement of the Constitution that those whose property is placed in jeopardy must be afforded due process of law.

In the Patent Act and the AIA, Congress did not choose to delegate rights arbitrarily. Rather, it assigned to different agencies of the United States Government the rights and legal disabilities that are inherent in sovereignty, separating those rights that are appurtenant

to the legislative power of eminent domain from those that are appurtenant to the prerogative power to issue patents. And it secured other rights and legal disadvantages to accused infringers, which are inherent in those persons who find themselves as parties to disputes about private rights.

The inter partes proceedings provisions of the AIA distinguish four different offices with power to initiate a proceeding, three of which possess power to initiate a proceeding against a patent owner. The different offices have different rights and legal disabilities, delegated according to what is at stake for those who are eligible to hold them. Thus, the patent owner's duty is not to answer all complaints and petitions in all venues simultaneously but rather to defend the validity of his or her patent in the proceeding appropriate to the rights and duties at stake.

B. Four Distinct Offices

1. Patent Owner

At stake for the patent owner is most obviously a right in the patent. *See generally* Adam Mossoff, *Patents as Constitutional Private Property: The Historical Protection of Patents Under the Takings Clause*, 87 B.U. L. Rev. 689 (2007). In addition, a patentee has often contributed two other values which are not entirely products of patent protection. First, to obtain the patent the inventor disclosed its invention. Particularly in the case of meritorious innovations that could otherwise be practiced as trade secrets, this is a significant sacrifice made in consideration of the promise of patent protection. Adam Mossoff, *Rethinking the Development of Patents:*

An Intellectual History, 1550–1800, 52 Hastings L.J. 1255, 1288 (2001).

Second, patent owners often obtain investments, issue licenses, and make other commitments in reliance upon their patents. Particularly where the validity of a patent has gone uncontested for some time or has been adjudicated valid and investments have been made in reliance upon it, a patent secures a vested right. Indeed, patents are vested in the strong sense that they are immune from retrospective abrogation in the event that Congress were to change the law after issuance. *McClurg v. Kingsland*, 42 U.S. 202, 206–07 (1843).[2]

2. Accused Infringer

For the person accused of infringement, at stake is whether he is at liberty to use the invention and enjoys immunity from infringement liability for doing so. Those use rights also can become vested when exercised in reliance upon a patentee's forbearance, licensing, or failure to obtain a valid patent. 35 U.S.C. §102(a) (2012); *McClurg*, 42 U.S. at 207–08; *Bloomer v. McQuewan*, 55 U.S. 539, 550–51 (1852). The liberty and immunity are paired together, so that the determination of another's patent right, which would impose on the accused infringer a duty not to practice the invention, determines liability for infringement.

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2. Concerning this strong sense in which some rights are vested, see Christopher M. Newman, *Vested Use-Privileges in Property and Copyright*, 30 Harv. J.L. & Tech. 75, 80–81 (2016), and Adam J. MacLeod, *Of Brutal Murder and Transcendental Sovereignty: The Meaning of Vested Private Rights*, 41 Harv. J.L. & Pub. Pol'y 253, 295–301 (2017).

However, unless he has vested rights at stake or has suffered some wrong, no person has a free-standing license to challenge the validity of patents. *Mowry*, 81 U.S. at 440–41. Congress provided CBM review (and other administrative procedures) for swift and efficient determination of the respective rights and disadvantages of patentees and accused infringers. AIA § 18. Congress expressly provided that no one may initiate a CBM review "unless the person or the person's real party in interest or privy has been sued for infringement of the patent or has been charged with infringement under that patent." *Id.* § 18(a)(1)(B). And because the patentee's vested rights are also at stake, the power to initiate a review proceeding is qualified. Congress estops the accused infringer from contesting the patent's validity in other venues. *Id.* §18(a)(1)(D).

3. Patent Office

Congress conferred upon the Patent Office the power to determine the scope and validity of a patent in rem, in general with respect to everyone. 35 U.S.C. §§ 1 and 2. The Patent Office has the power to initiate a CBM or other patent review proceeding. *Id.* § 303(a); AIA § 18(a)(1)(E). This unqualified delegation of power makes sense not only because Congress conferred upon the Patent Office the power to issue patents ab initio but also because the Patent Office and Board have no private rights—no liberties or immunities for use—at stake and can thus act as a neutral authority.

4. Agency With Eminent Doman Power

The case is quite different for the Postal Service and other agencies who enjoy sovereign immunity for using a patented invention and the sovereign power of eminent domain to appropriate a license (though it is not immune from paying just compensation for its appropriation). The Postal Service has no power to initiate a CBM proceeding. This makes sense both because the power to determine patent validity in rem belongs to the Patent Office and because the Postal Service has liberties and immunities at stake in the patent's validity.

Thus, there was no reason for Congress to provide expressly that the Postal Service is estopped from contesting validity in different venues. Congress separately delegated to different agencies the power to appropriate a patent license by eminent domain and the power to initiate a CBM proceeding, and that separate delegation reflects the different rights and legal disabilities at stake. The limitations on the Postal Service's powers are inherent in the office it occupies.

II. Just Compensation, Not Infringement Liability

A. The Postal Service Cannot Be Liable for Infringement

An infringement is a wrong. Adam Mossoff, *Who Cares What Thomas Jefferson Thought About Patents? Reevaluating the Patent "Privilege" in Historical Context*, 92 Cornell L. Rev. 953, 993 (2007); Christopher M. Newman, *Patent Infringement as Nuisance*, 59 Cath. U. L. Rev. 61, 76–85 (2009); Saurabh Vishnubhakat, *An*

Intentional Tort Theory of Patents, 68 Fla. L. Rev. 571, 605–10 (2016); Dmitry Karshtedt, *Causal Responsibility and Patent Infringement*, 70 Vand. L. Rev. 565, 624–36 (2017). Specifically, infringement is a wrong for which the law provides a remedy. *United States v. Palmer*, 128 U.S. 262, 269–71 (1888) (contrasting the "tort" of patent infringement with the government's taking of a license, for which it owes just compensation); Lynda J. Oswald, *The "Strict Liability" of Direct Patent Infringement*, 19 Vand. J. Ent. & Tech. L. 993, 999–1005 (2017).

More specifically still, infringement is a kind of, or analogous to, trespass. Eric R. Claeys, *The Conceptual Relation Between IP Rights and Infringement Remedies*, 22 Geo. Mason L. Rev. 825, 851 (2015); Adam J. MacLeod, *Patent Infringement as Trespass*, 69 Alabama L. Rev. 723, 733–40 (2018). The action which provides a remedy for infringement arose out of the writ for trespass on the case. *Hogg v. Emerson*, 52 U.S. (11 How.) 587, 588 (1850); *Parkhurst v. Kinsman*, 18 F. Cas. 1207, 1207 (C.C.D. Mass. 1847). And the reasoning in an action for direct infringement proceeds like the reasoning in a common-law action for trespass to land or chattels. MacLeod, *Patent Infringement as Trespass*, *supra*, at 733–40. Any conduct that breaks the close of the patent is prima facie infringement but can be justified as not-infringement if done for one of a small number of valid, legal reasons. Those reasons include appropriation by eminent domain, such that the government's use of a patented invention is not a legal wrong, though the Fifth Amendment requires the government to pay just compensation for its act of appropriation.

The Federal Circuit majority characterized the Postal Service's appropriation as infringement. It effectively excised the term "without authority" from the definition of infringement in 35 U.S.C. § 271. This reflects a misunderstanding of what infringement is. Infringement is not any act of exercising patent rights, but rather an unlawful exercise of those rights. MacLeod, *Infringement as Trespass*, *supra*, at 751-53.

Trespass is an entry on another's property "without a lawful authority." 3 William Blackstone, *Commentaries on the Laws of England* *209 (1765). An entry or taking with legal justification is not a trespass. *Id.* at *212-15. Like other acts of trespass upon property rights, an infringement is an entry upon the owner's property that is neither legally justified nor done with the owner's consent.

What counts as valid justification which renders an entry non-trespassory depends upon the resource at issue. For example, an unconsented entry upon land is not a trespass if done in order to serve judicial process. 3 Bl. Comm. *212. Analogously, to make, use, sell, or offer to sell a patented invention without the patentee's consent is not an infringement if done to satisfy intellectual curiosity or to perform a philosophical experiment. *Whittemore v. Cutter*, 29 F. Cas. 1120, 1121 (C.C.D. Mass. 1813); *Sawin v. Guild*, 21 F. Cas. 554, 555 (C.C.D. Mass. 1813) (No. 12,391); *Madey v. Duke Univ.*, 307 F.3d 1351, 1360–63 (Fed. Cir. 2002). And some innocent users who made prior commercial uses, which would have entitled them to priority before the AIA, are not liable for infringement. 35 U.S.C. § 273(a)(2); Robert P. Merges, *A Few Kind Words for Absolute Infringement Liability in Patent Law*, 31 Berkeley Tech. L.J. 1, 38–41 (2016).

The distinction between infringement and non-wrongful taking is not merely semantic. One could define infringement as all actions which break the close of the patent and the distinction would simply shift from the justification stage to the remedial stage of the analysis. *Cf.* Claeys, *The Conceptual Relation Between IP Rights and Infringement Remedies*, *supra*, at 841–46, 852–58. Interference with exclusive use raises a presumption that the patentee is entitled to relief, and one would need to distinguish for remedial purposes between wrongful infringements and non-culpable infringements. *Id.* at 862–63; MacLeod, *Patent Infringement as Trespass*, *supra*, at 776–80. When AIA § 18 speaks of "infringement" it means the legal wrong for which law provides a remedy, the action descended from the writ of trespass on the case, which in contemporary law is covered by 35 U.S.C. § 271. This is the import of § 18's terms "sued for infringement" and "charged with infringement," which refer to circumstances in which the person accused of infringement is exposed to potential liability.

Eminent domain also is a kind of authority which justifies a taking (for Patent Act and due process purposes, though the Government owes just compensation for takings purposes). Therefore, taking a patent license by eminent domain is contrasted with an act of trespass or infringement. *Compare Fla. Prepaid*, 527 U.S. at 641–43 & n.7, 647–48 & n.11; *Providence Fall River & Newport Steamboat Co. v. City of Fall River*, 67 N.E. 647, 542-43 (Mass. 1903); *see also* Nichols, *Law of Eminent Domain*, at 308, 311, 591; Newman, *Patent Infringement as Nuisance*, *supra*, at 85–86. If trespass and lawful appropriation were not distinct and separate categories, it would not be possible to know the boundaries of an official's power to

use or occupy another's property, or to remedy or enjoin acts which transgress those boundaries. *See, e.g., Utah Power & Light Co. v. United States*, 243 U.S. 389, 404–05 (1917); *Pinney v. Borough of Winsted*, 66 A. 337, 340 (Conn. 1907). An official who acts within the boundaries of the power of eminent domain is not acting contrary to the patent owner's right, as long as the government pays just compensation. It is not legally wrong for a government agency to do what it has a legal right to do.

The Federal Circuit seems to have been misled by dicta in its own prior opinions and those of the Court of Claims referring to government exercise of patent rights as "infringement." *See, e.g., Decca Ltd. v. United States*, 640 F.2d 1146, 1166–67 (Ct. Cl. 1980). But this is to elevate word choice over substance. As the Court of Claims explained in one of those precedents, "the Government is never 'guilty' of 'direct infringement' of a patent insofar as 'direct infringement' connotes tortious or wrongful conduct. The Government has a right to take patent licenses and cannot be enjoined from doing this." *Id.* at 1166.

The Federal Circuit majority's expansion of "infringement" to include the Postal Service's lawful taking of a license by eminent domain also seems to rest in a conflation of "without ... lawful right to use or manufacture" in 28 U.S.C. § 1498 with "without authority" in 35 U.S.C. § 271(a). But the right to use or manufacture—a pre-political liberty—is a different right than the authority—the legal power belonging to a political sovereign and its agents—to appropriate a license by eminent domain.

As this Court made clear in *American Bell Telephone*, 167 U.S. at 238, *Continental Paper Bag Co. v. Eastern Paper Bag Co.*, 210 U.S. 405, 442 (1908), and elsewhere, the liberty to use and manufacture is a pre-political right. The patent adds to that liberty the security of exclusivity, after which the liberty to use must be acquired from the patentee by acquisition or license. The term "lawful right to use or manufacture" in 28 U.S.C. § 1498 therefore refers to the liberty which the Postal Service acquired from the patentee, which the Postal Service did not possess prior to its exercise of eminent domain.

The term "authority" in 35 U.S.C. § 271 has a different meaning. It refers to a legal power or other source of authorization which can justify a non-owner in acquiring and exercising patent rights, either a liberty to use or the exclusive right conferred under the Patent Act. The Postal Service is immune from lawsuits and liability for infringement insofar as and because it has the power—the authority—of eminent domain. Though a sovereign is capable of acting with legal agency and must be held legally responsible when it does so, the sovereign's legal responsibility differs radically from that of private duty bearers; it may appropriate but must pay compensation.

The effect of the Federal Circuit's misunderstanding is to allow the Government to retain its cake and eat it too. The Federal Circuit majority seems to think that the exercise of eminent domain power to take a license is both lawful (for purposes of 35 U.S.C. § 271) and unlawful (for AIA § 18 purposes). Either that, or it fails to perceive that infringement is an inherently unlawful act—a legal wrong. But if that were the case, the Federal Circuit would be hard pressed to explain why the Patent Act sets

out meaningful remedies for infringement, and strong remedies for willful infringement.

The Government cannot be enjoined from infringement—or subject to other infringement remedies—not only because immunity is inherent in sovereignty but also because the eminent domain power is part of Congress's legislative power. *Kohl v. United States*, 91 U.S. 367, 371–72 (1875). Congress has delegated to the Postal Service and other agencies the "authority," within the meaning of 35 U.S.C. § 271, to take a compelled license, that is, to acquire the "rights" identified in 28 U.S.C. § 1498. Therefore, the practice of an invention by an agency of the United States government is not infringement for purposes of AIA § 18. Though it did not ab initio have a lawful right to use the patented invention, the Postal Service acquired a license by its delegated power of eminent domain.

B. The Postal Service Owes Just Compensation

Another inherent limitation on the power of eminent domain is the Government's duty to pay just compensation. Richard Epstein, *Takings: Private Property and the Power of Eminent Domain* 331–50 (1985); James W. Ely, Jr., *"That Due Satisfaction May Be Made." The Fifth Amendment and the Origins of the Compensation Principle*, 36 Am. J. Legal Hist. 1, 2–4 (1992). When it appropriates rights secured by a patent, the sovereign must pay just compensation as it would for any other property. *McKeever v. United States*, 14 Ct. Cl. 396, 421 (1878); *James v. Campbell*, 104 U.S. 356, 357–58 (1881). The Postal Service seeks to avoid its duty to pay compensation for the license it appropriated by challenging validity of

the patent in a CBM proceeding. Congress foreclosed that route.

Like land and movable goods, patents are property for Fifth Amendment purposes. *Horne v. Dep't of Agriculture*, 135 S. Ct. 2419, 2427 (2015); Mossoff, *Patents as Constitutional Private Property*, *supra*, at 700–11. This Court has expressed "no doubt" that "letters-patent for a new invention or discovery" confer property which cannot thereafter be appropriated without payment of just compensation, just like "land which has been patented to a private purchaser." *James v. Campbell*, 104 U.S. at 357–58.

Specifying the general compensation requirement which the Fifth Amendment declares, Congress made provision for patentees to obtain just compensation in 28 U.S.C. § 1498. This Court characterized proceedings under the predecessor provision to § 1498 as actions sounding in eminent domain. *Crozier v. Fried. Krupp Aktiengesellschaft*, 224 U.S. 290, 305–07 (1912). The availability of a proceeding for just compensation is what prevents the sovereign's exercise of patent rights from constituting an infringement, *id.* at 304–05,[3] or in the colorful language of the original provision's advocates in Congress, "piracy" of the patentee's property rights. Mossoff, *Patents as Constitutional Private Property*, *supra*, at 714. In short, the Postal Service must pay for what it takes.

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3. As the *Crozier* Court observed, Congress employed the language of private property in justifying the initial provision in the 1910 Act, explaining its objective "to provide additional protection for owners of patents." 224 U.S. at 304.

CONCLUSION

The power to initiate a proceeding before the Board which implicates patent rights and liberties to use innovations is a significant right. Because the sovereign is immune from lawsuits and liability for infringement, it lacks the power that Congress has conferred upon infringers to contest the validity of a patent in a covered business method proceeding. The Federal Circuit wrongly conferred upon the Postal Service both the powers of a sovereign and the powers of a private right-holder who is charged with infringement, even as it excused the Postal Service from the legal disadvantages of both of those offices. We encourage the Court to grant the petition for certiorari and reverse the Federal Circuit's decision below.

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